

Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	MOA SOLID WASTE MGMT AUTHORITY	County	MONTMORENCY	Type	AUTHORITY	MuniCode	60-7-502
Opinion Date-Use Calendar	Jun 9, 2008	Audit Submitted-Use Calendar	Jun 27, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 2,261,441.00
General Fund Expenditure:	\$ 1,900,434.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 2,250,265.00
Governmental Activities Long-Term Debt (see instructions):	\$ 88,131.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	THOMAS	Last Name	ZICK	Ten Digit License Number	1101007478				
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CPA Firm Name	THOMAS R ZICK CPA, P C	Unit's Street Address	P O BOX 13	City	ATLANTA	LU Zip	49709		

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY**

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INDEPENDENT AUDITOR'S REPORT

June 9, 2008

Montmorency-Oscoda-Alpena
Solid Waste Management Authority
Board of Directors
Atlanta, Michigan 49709

I have audited the accompanying financial statements of Montmorency-Oscoda-Alpena Solid Waste Management Authority, a component unit of Montmorency County, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note A, the financial statements present only the Montmorency-Oscoda-Alpena Solid Waste Management Authority and do not purport to, and do not, present fairly the financial position of Montmorency County, Michigan as of December 31, 2007 and 2006, and the changes in its financial position, or, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montmorency-Oscoda-Alpena Solid Waste Management Authority as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying financial information listed as Supplementary Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Montmorency-Oscoda-Alpena Solid Waste Management Authority. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements, and in my opinion, is fairly stated, in all material respects, in relation to the component unit financial statements, taken as a whole.

The management's discussion and analysis on pages 3-5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Thomas R. Zick, CPA, P.C." in a cursive style.

THOMAS R. ZICK CPA, P.C.
Certified Public Accountant

MONTMORENCY-OSCODA-ALPENA SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Montmorency-Oscoda-Alpena Solid Waste Management Authority's financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2007. Please read it in conjunction with the financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

The Authority's net assets were reported for the first time under GASB 34 as of December 31, 2004. There were no significant changes to the Authority's financial statements other than changing the classification of retained earnings to net assets. Comparative numbers for the year ended December 31, 2006 are shown using the GASB 34 format.

Net assets for the Authority as a whole were reported at \$2,250,265 which was an increase of \$361,007 from 2006. Net assets are comprised of 100% business-type activities.

During the year, the Authority's total expenses were \$1,881,151 while revenues from all sources totaled \$2,242,158 resulting in an increase in net assets of \$361,007.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Authority as a whole and present a longer term view of the Authority's finances.

Reporting the Facility as a Whole

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Authority's *net assets* and changes in them. You can think of the authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or *financial position*. Over time, *Increases or decreases* in the Authority's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Authority's operating base and the condition of the authority's capital assets, to assess the *overall financial health* of the Authority.

In the Statement of Net Assets and the Statement of Revenues, Expenses and changes in Net Assets, we report all of the Authority's activities as business-type activities because the Authority charges a fee to users to help it cover the cost of services it provides.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Table I provides a summary of the Authority's net assets as of December 31, 2007 and 2006

Table 1 Net Assets		12/31/07	12/31/06
Current and other assets - including restricted		\$ 3,586,152	\$ 4,382,720
Capital assets, net of depreciation		<u>3,305,252</u>	<u>1,924,803</u>
Total Assets		<u>6,891,404</u>	<u>6,307,523</u>
Current liabilities		508,451	446,519
Noncurrent liabilities		<u>4,132,688</u>	<u>3,971,746</u>
Total Liabilities		4,641,139	4,418,265
Net Assets:			
Invested in capital assets (net of debt)		3,217,121	1,442,760
Unrestricted		<u>(966,856)</u>	<u>446,498</u>
Total Net Assets		<u>\$ 2,250,265</u>	<u>\$ 1,889,258</u>

Net Assets of the Authority's business-type activities were at \$2,250,265 and \$1,889,258 at December 31, 2007 and 2006 respectively. Unrestricted net assets – the part of net assets that could be used to finance day to day activities were at \$(966,856) and \$446,498 respectively.

The results of this year's operations for the authority as a whole are reported in the Statement of Revenues, Expenses and changes in Net Assets (see Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

Table 2 Changes in Net Assets		12/31/2007	12/31/06
Operating revenues:			
Service revenues		\$ 2,097,126	\$ 1,863,415
Operating expenses:			
Operations		1,870,560	1,987,950
Nonoperating Revenues (Expenses):			
Investment Income		164,315	156,408
Interest Expense		(10,591)	(26,680)
Gain on Disposition of Fixed Asset		<u>(19,283)</u>	<u>196,476</u>
Total Nonoperating Revenues (expenses)		134,441	326,204
Increase (decrease) in net assets		361,007	201,669
Net Assets, Beginning		<u>1,889,258</u>	<u>1,687,589</u>
Net Assets, Ending		<u>\$ 2,250,265</u>	<u>\$ 1,889,258</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Authority's total revenues were \$2,242,158 for 2007. The total cost of all programs and services was \$1,881,151 leaving an increase in net assets of \$361,007 as a result of fiscal year 2007 operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007, the Authority had capital assets of \$9,545,760 at cost with accumulated depreciation of \$6,240,508 invested in a variety of capital assets including land, buildings, and other equipment and landfill improvements such as cells to be filled. This resulted in net capital assets of \$3,305,252 which is an increase of \$1,380,449 from 2006. Capital additions for 2007 were \$2,003,562.

Debt

The Authority has outstanding debt at December 31, 2007 in the form of equipment installment loans totaling \$88,131. This was a decrease of \$393,912 from 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for the year ending December 31, 2008 the Authority anticipates paying the balance on new landfill cell constructed in 2007 and has budgeted \$300,000. Clay capping is also budgeted in the total amount of \$200,000. Additionally, the 2007 budget plans include \$400,000 for on site leachate treatment.

In January of 2007, the Authority took over the operation of the Resource Recovery program from the Northeast Michigan Recycling Alliance authority. The absorption of this program included ownership of the building located on M-32 East in Alpena and all revenues and expenses of the program. A total of \$193,990 was allocated to the program in 2008 with the landfill covering \$109,780 of that cost.

CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT

This financial report is designated to provide our taxpayers, users and creditors with a general overview of the authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority Administrator at Montmorency-Ocsoda-Alpena Solid Waste Management Authority, 6751 Landfill Road, Atlanta, MI 49709. Their phone number is 989-786-6500.

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2007 AND 2006**

ASSETS	12/31/2007	12/31/2006
Current Assets:		
Cash demand and time deposits / imprest cash	\$ 56,402	\$ 89,489
Investments	1,097,954	2,065,062
Restricted cash	2,158,247	2,041,946
Prepaid expenses	13,357	904
Due from governmental units	5,706	-
Interest receivable	18,611	-
Accounts receivable - (net of reserve for bad debts)	<u>235,875</u>	<u>185,319</u>
Total Current Assets	<u>3,586,152</u>	<u>4,382,720</u>
Property, Plant, and Equipment:		
Land	164,561	164,561
Landfill improvements/buildings	7,709,039	6,079,625
Equipment	1,672,160	1,600,230
Less: accumulated depreciation	<u>(6,240,508)</u>	<u>(5,919,613)</u>
Net Property, Plant, and Equipment	<u>3,305,252</u>	<u>1,924,803</u>
Total Assets	<u>6,891,404</u>	<u>6,307,523</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts payable	472,274	43,572
Accrued expenses	4,711	9,036
Current portion of long-term debt	<u>31,466</u>	<u>393,911</u>
Total Current Liabilities	<u>508,451</u>	<u>446,519</u>
Long-Term Liabilities:		
Installment notes payable	88,131	307,043
Bond payable	-	175,000
Less current portion	(31,466)	(393,911)
Estimated liability for landfill closure and post closure care costs	<u>4,076,023</u>	<u>3,883,614</u>
Total Long-Term Liabilities	<u>4,132,688</u>	<u>3,971,746</u>
Total Liabilities	<u>4,641,139</u>	<u>4,418,265</u>
Net Assets		
Retained Earnings:		
Invested in capital assets (net of related debt)	3,217,121	1,442,760
Unrestricted	<u>(966,856)</u>	<u>446,498</u>
Net Assets	<u>\$ 2,250,265</u>	<u>\$ 1,889,258</u>

See Notes to Financial Statements

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
DECEMBER 31, 2007 AND 2006**

	<u>12/31/2007</u>	<u>12/31/2006</u>
Operating Revenue:		
Charges for services - Landfill	\$ 2,021,347	\$ 1,768,350
Charges for services - Resource Recovery	63,347	52,765
Other	<u>12,432</u>	<u>42,300</u>
Total Operating Revenue	<u>2,097,126</u>	<u>1,863,415</u>
Operating Expenses:		
Salaries and wages	251,545	234,252
Fringe benefits	130,468	131,277
Other operating expenses	659,551	627,297
Supplies	105,541	97,509
Depreciation	428,830	382,216
Landfill closure and post closure care costs	<u>294,625</u>	<u>515,399</u>
Total Operating Expenses	<u>1,870,560</u>	<u>1,987,950</u>
Operating Income (Loss)	<u>226,566</u>	<u>(124,535)</u>
Nonoperating Revenue (Expenses):		
Interest revenue	164,315	156,408
Interest expense	(10,591)	(26,680)
Gain (Loss) on disposition of capital asset	<u>(19,283)</u>	<u>196,476</u>
Total Nonoperating Revenue (Expenses)	<u>134,441</u>	<u>326,204</u>
Increase (Decrease) in Net Assets	361,007	201,669
Total Net Assets - January 1	<u>1,889,258</u>	<u>1,687,589</u>
Total Net Assets - December 31	<u>\$ 2,250,265</u>	<u>\$ 1,889,258</u>

See Notes to Financial Statements

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
DECEMBER 31, 2007 AND 2006**

	<u>12/31/2007</u>	<u>12/31/2006</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 2,040,864	\$ 1,839,414
Cash payments for goods and services	(649,747)	(704,170)
Cash payments to employees for services/fringes	<u>(381,787)</u>	<u>(368,777)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,009,330</u>	<u>766,467</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital assets	(1,703,562)	(793,056)
Payment for cell capping	(102,216)	-
Interest paid on equipment loans and bond debt	(14,237)	(29,060)
Principal paid on long-term debt	(393,912)	(436,311)
Proceeds from long-term debt	-	127,352
Proceeds from disposition of capital assets	<u>175,000</u>	<u>350,000</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,038,927)</u>	<u>(781,075)</u>
Cash Flows From Investing Activities:		
Interest on investments	145,703	156,408
Increase in restricted cash	<u>(116,301)</u>	<u>(113,062)</u>
Net Cash Provided (Used) by Investing Activities	<u>29,402</u>	<u>43,346</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,000,195)	28,738
Cash and Cash Equivalents - Beginning of Year	<u>2,154,551</u>	<u>2,125,813</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,154,356</u>	<u>\$ 2,154,551</u>

See Notes to Financial Statements

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS (CONTINUED)
DECEMBER 31, 2007 AND 2006**

	<u>12/31/2007</u>	<u>12/31/2006</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income	\$ 226,566	\$ (124,535)
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	428,830	382,216
Closure / Post Closure Expense	294,625	515,399
Change in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(50,556)	(24,001)
(Increase) Decrease in Other Assets	(19,063)	-
Increase (Decrease) in Accounts Payable	128,702	20,636
Increase (Decrease) in Accrued Liabilities	<u>226</u>	<u>(3,248)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,009,330</u>	<u>\$ 766,467</u>

See Notes to Financial Statements

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Montmorency-Oscoda-Alpena Solid Waste Management Authority is a component unit of Montmorency County and is reported in the County financial report as a discretely presented component unit. The accompanying financial statements and additional information present only data for the component unit. It does not present the statements of the oversight unit, which is Montmorency County, Michigan, whose financial statements are presented in a separate report.

The Montmorency-Oscoda-Alpena Solid Waste Management Authority was incorporated during 1998, with by-laws adopted effective August 5, 1998. The Authority is the successor entity to a joint venture between Montmorency and Oscoda Counties and is considered a component unit of Montmorency County which, under GASB #14 is discretely presented as a proprietary(enterprise) fund type. The Authority was incorporated under the provisions of Act No. 233 of 1955 and was created by the counties of Montmorency, Oscoda, and Alpena. The registered office is the Office of the Treasurer of Montmorency County. Each entity appoints two representatives to the Authority Board, both of whom shall be a member of the legislative body of the municipality. The Authority operates a landfill and resource recovery operation.

The Authority articles of incorporation specifically stated its intention to assume the assets and liabilities of the joint venture between Montmorency and Oscoda County. In the event of dissolution the assets of the Authority shall be sold and the balance equally divided among the municipalities.

Basis of Presentation – The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board (GASB) in statement No. 34., Basic Financial Statements – and Managements' discussion and Analysis – for State and Local Governments, issued June 1999. The Authority now follows the "business-type" activities reporting requirements of GASB No. 34. There was no impact to the net assets of the Authority in adopting GASB No. 34. The Authority has been a full accrual enterprise fund and therefore has prepared its financial fund statements on this basis since inception. The only changes were to add Managements' discussion and Analysis and changing retained earnings to net assets and increase in net assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. An example of an estimate would be the liability for landfill closure and post closure costs. Actual results could differ significantly from these estimated amounts.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid instruments with an original maturity of three months or less. It does not include restricted cash or restricted investments.

Property and Equipment - All property and equipment is valued at historical cost. Depreciation is computed using the straight-line method with the expense being charged against operations over their estimated useful lives.

**MONTMORENCY-OSCODA-ALPEN
SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE B - CASH AND INVESTMENTS

The Authority's deposits and investments are shown in the accompanying balance sheet under the following classifications:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Imprest Cash	\$ 500	\$ 500
Cash and Time Deposits	55,902	88,989
Investments	1,097,954	2,065,062
Certificates of Deposit - Restricted cash	<u>2,158,247</u>	<u>2,041,946</u>
Total	<u>\$ 3,312,603</u>	<u>\$ 4,196,497</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Bank Deposits - with County Treasurer	\$ 1,153,856	\$ 2,154,051
Imprest Cash	500	500
Restricted Cash	<u>2,158,247</u>	<u>2,041,946</u>
Total	<u>\$ 3,312,603</u>	<u>\$ 4,196,497</u>

Bank deposits - at County - The funds are under the control of the County Treasurer who has deposited those funds with a federally insured depository. It is impractical to determine the amount covered by FDIC Insurance, if any, as these funds are only a portion of the total County deposits.

Investments - The County is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus funds in U.S. Bonds and Notes, certain commercial paper, bankers acceptances, and mutual fund investment pools that are comprised of authorized investments. The County Treasurer invests those funds on behalf of the Authority. At December 31, 2007 all of the Authority investments consisted of a bank municipal investment fund and were authorized under state statute. At December 31, 2007, and 2006 investments were categorized as follows:

Investment summary:	<u>12/31/07</u>	<u>12/31/06</u>
National City Bank Sweep Account/Municipal Investment Fund	<u>\$ 1,097,954</u>	<u>\$ 2,065,062</u>

Restricted Cash – At December 31, 2007 certificates of deposit amounting to \$2,158,247 have been placed into an escrow account at National City Bank under the direction of the Director of the Michigan Department of Environmental Quality, which assures that monitoring of the landfill site will have sufficient funds if needed in future years. The director of the Department is the beneficiary on the escrow account. The escrow account was established to hold the investments/cash amounts and all earnings must accrue to the escrow account. The Director must approve any disbursements from the account as well as the County Treasurer.

The County Treasurer has the responsibility for investing Authority funds.

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE B - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The county's investments all meet State statutes.

Interest Rate Risk

The County has not adopted a policy that indicates how the County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time. However, none of the investments at December 31, 2007 were subject to this type of risk.

Concentration of Credit Risk

The County has not adopted a policy that indicates how the County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The County has not adopted a policy that indicates how the County will minimize custodial credit risk, which is the risk that in the event of the failure of the counter party, the County will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

NOTE C - PROPERTY AND EQUIPMENT

A summary of the property, plant, and equipment of the Solid Waste Management Authority as of December 31, 2007 is as follows:

	Balance 1/1/07	Additions	Disposals	Balance 12/31/07
Land	\$ 164,561	\$ -	\$ -	\$ 164,561
Landfill improvements	5,822,465	1,623,477	-	7,445,942
Building	257,160	5,937	-	263,097
Equipment	1,600,230	374,148	302,218	1,672,160
Total Costs	7,844,416	2,003,562	302,218	9,545,760
Less accumulated depreciation	5,919,613	428,830	107,935	6,240,508
Net Carrying amount	\$ 1,924,803	\$ 1,574,732	\$ 194,283	\$ 3,305,252

Depreciable Life

Landfill Improvements	based upon percentage filled
Equipment	7&10 years
Buildings	15-50 years

Depreciation expense was \$428,830 for 2007 and \$369,844 for 2006.

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE D - POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to pension benefits described in Note E the Authority the personnel policy provides for certain post employment health care coverage. All Authority employees must have 15 years of service and be fifty five to receive the benefits. Benefits are received for life for the retiree only. No dependent care coverage is paid for by the County. During 2007 two individuals were eligible for these benefits and the total cost incurred approximated \$7,576. This was paid on behalf of former eligible Authority employees.

NOTE E - PENSION PLAN

Pension contributions from the Authority for 2007 and 2006 respectively were \$36,673 and \$30,577. The December 31, 2006 actuarial report is used in this report. The December 31, 2007 report is not yet available from MERS.

Plan Description – The Authority participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917.

All full time Authority employees are eligible to participate in the system. Benefits vest after ten years of service. Authority employees who retire at or after age 55 with 15 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.25% of the members 5-year final average compensation.

Participating Authority employees are not required to contribute to the system. The Authority is required to contribute the amounts necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by State Statute.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE E - PENSION PLAN (CONTINUED)

All entries are based on the actuarial methods and assumption that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. the entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 443,114
Terminated employees not yet receiving benefits	-
Non-vested terminated employees	-
Current employees:	
Accumulated employee contributions including	-
Employer financed	<u>280,751</u>
Total Actuarial accrued liability	723,865
Net Assets Available for Benefits, at actuarial value	
(Market Value is 548,915)	<u>541,342</u>
Unfunded (over funded) actuarial accrued liability	<u>\$ 182,523</u>

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 33,264
Amortization factor used - Underfunded Liabilities (29 years)	0.054719

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years. Only two years data is available because the Authority separated from Montmorency County in 2003.

<u>Annual Pension Cost</u>			
Year Ended December 31,	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2004	\$ 23,618	100%	-0-
2005	23,784	100%	-0-
2006	23,064	100%	-0-

The Authority was required to contribute \$23,064 for the year ended December 31, 2007. Payments were based on contribution calculations made by MERS.

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE E - PENSION PLAN (CONTINUED)

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % Of Covered Payroll
2004	\$ 145,128	\$ 205,430	\$ 60,302	71%	\$ 157,396	38%
2005	507,573	686,880	179,307	74%	158,129	113%
2006	541,342	723,865	182,523	75%	189,255	96%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

NOTE F - CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require that the Solid Waste Management Authority place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$4,076,023 as of December 31, 2007, which is based on 60.2% usage (filled) of the landfill for all cells constructed and to be constructed under the current license. It is estimated that an additional \$1,950,630 will be recognized as closure and post closure costs between the date of the statement of net assets and the date the current acreage under license is filled which is estimated to be 2022 at recent rates of refuse received. The estimated total current cost of the landfill closure and post closure is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2007. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Solid Waste Management Authority is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The Authority feels it is in compliance with these requirements, and at December 31, 2007, certificates of deposit in the amount of \$2,158,247 are held for these purposes. These certificates of deposit are held and managed by a third-party trustee and are presented on the authority's Statement of Net Assets as restricted cash. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both. Governmental Accounting Standards Board Statement No. 18 describes the accounting requirements for solid waste landfill closure and post closure care costs. The estimated expense for closure and post closure care costs for 2007 was \$294,625.

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE G - LONG-TERM DEBT

CHANGES IN LONG-TERM DEBT

	<u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/07</u>
2002 Bond	175,000	-0-	175,000	-0-
Lease/Purchase	307,043	-0-	218,912	88,131
Total	<u>\$ 482,043</u>	<u>\$ -0-</u>	<u>\$ 393,912</u>	<u>\$ 88,131</u>

DESCRIPTION - Series 2002 General Obligation Limited Tax Bonds were issued to be used to finance the cost of a new landfill cell. The final payment was made in 2007.

DESCRIPTION - In 2006 a 730 Caterpillar truck was purchased with CAT Financial providing the financing. The CAT financial lease on the truck provides for even monthly payments with no balloon and a payoff on August 10, 2010. The equipment has been capitalized and the outstanding balances are shown as installment loans in the financial statements. The interest rate on the remaining payment is 5.8% per annum.

<u>Interest Rates</u>	<u>Outstanding 12/31/07</u>	
	<u>Principal</u>	<u>Interest</u>
5.8 %	<u>\$ 88,131</u>	<u>\$ 7,204</u>
Total	<u>\$ 95,335</u>	

Equipment Lease/Purchase Annual Debt Service Requirements

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Principal	\$ 31,466	\$ 33,341	\$ 23,324	\$ 88,131
Interest	4,284	2,410	510	7,204
Total	<u>\$ 35,750</u>	<u>\$ 35,751</u>	<u>\$ 23,834</u>	<u>\$ 95,335</u>

Monthly payments on the equipment are as follows:

730 Caterpillar truck	<u>2,979</u>
	<u>\$ 2,979</u>

<u>Long-Term Debt Summary</u>		
	<u>12/31/2007</u>	<u>12/31/2006</u>
2002 General Obligation Limited Tax Bonds	\$ -	\$ 175,000
Installment Loans	88,131	307,043
Total Debt	88,131	482,043
Less Current Portion	(31,466)	(393,912)
Net Long-Term Debt	<u>\$ 56,665</u>	<u>\$ 88,131</u>

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE H - RISK MANAGEMENT

The Authority is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The Authority participates in the Michigan Municipal Risk Management Authority (MMRMA) for general liability and property damage coverage. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the Authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the general fund (i.e., the Insurance Fund) using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The Authority is a State pool member and has deductibles which differ for each type of coverage.

The Authority is a member of the Michigan Counties Workers' Compensation Fund. Full statutory coverage for worker's disability compensation and employers' liability is guaranteed by the fund for Michigan operations through authority granted by the State of Michigan under Chapter 6, Section 418.611.

At December 31, 2007, there were no claims which exceeded insurance coverage. The Authority had no significant reduction in insurance coverage from previous years.

SUPPLEMENTARY INFORMATION

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULE OF EXPENSES BY FUNCTION
DECEMBER 31, 2007 AND 2006**

<u>2007</u>	<u>Total</u>	<u>Landfill Operation</u>	<u>Resource Recovery</u>
Operating Expenses:			
Salaries and wages	\$ 251,545	\$ 206,017	\$ 45,528
Fringe benefits	130,468	110,835	19,633
Other operating expenses	659,551	593,807	65,744
Supplies	105,541	97,605	7,936
Depreciation	428,830	420,227	8,603
Landfill closure and post closure care costs	<u>294,625</u>	<u>294,625</u>	<u>-</u>
Total Operating Expenses	<u>\$ 1,870,560</u>	<u>\$ 1,723,116</u>	<u>\$ 147,444</u>

<u>2006</u>	<u>Total</u>	<u>Landfill Operation</u>	<u>Resource Recovery</u>
Operating Expenses:			
Salaries and wages	\$ 234,252	\$ 195,992	\$ 38,260
Fringe benefits	131,277	113,254	18,023
Other operating expenses	627,297	582,595	44,702
Supplies	97,509	89,873	7,636
Depreciation	382,216	378,277	3,939
Landfill closure and post closure care costs	<u>515,399</u>	<u>515,399</u>	<u>-</u>
Total Operating Expenses	<u>\$ 1,987,950</u>	<u>\$ 1,875,390</u>	<u>\$ 112,560</u>

See Notes to Financial Statements

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
COMPARATIVE SCHEDULE OF SUPPLIES AND OPERATING EXPENSES
LANDFILL OPERATION
DECEMBER 31, 2007 AND 2006**

	<u>SUPPLIES</u>	
	12/31/2007	12/31/2006
Office supplies/postage/printing	\$ 7,750	\$ 10,360
Other supplies/uniforms	5,769	9,981
Diesel fuel	74,060	63,117
Heating fuel	4,579	3,049
Electricity	5,447	3,366
	<hr/>	<hr/>
Total Supplies	\$ 97,605	\$ 89,873
	 <u>OTHER OPERATING EXPENSES</u>	
Legal fees and professional	\$ 8,706	\$ 8,700
Administrative fees	18,000	18,000
Engineering services/consultant	47,405	38,991
Ground water data costs	21,333	26,156
Secondary collection	96,070	13,100
Leachate hauling	112,455	167,682
Leachate testing	2,144	6,912
On site leachate treatment	8,921	14,619
Leachate treatment	78,734	120,309
Monitoring well testing	48,430	69,045
Repairs and maintenance	77,354	36,461
Communications	3,804	4,279
Liability insurance	18,144	17,222
Loud Township fee	20,471	14,838
Solid waste administration fee/surcharge fee/license fee	11,942	10,387
Travel/conferences/seminars	8,646	13,605
Bad debt expense	6,400	-
Other	4,848	2,289
	<hr/>	<hr/>
Total Other Operating Expenses	\$ 593,807	\$ 582,595

See Notes to Financial Statements

**MONTMORENCY-OSCODA-ALPENA
SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULE OF SUPPLIES AND OPERATING EXPENSES
RESOURCE RECOVERY OPERATION
DECEMBER 31, 2007 AND 2006**

	<u>SUPPLIES</u>	
	12/31/2007	12/31/2006
Office supplies/postage/printing	\$ 767	\$ 604
Other supplies/uniforms	2,361	1,764
Diesel fuel / other fuel	-	2,247
Electricity	4,808	3,021
	<hr/>	<hr/>
Total Supplies	\$ 7,936	\$ 7,636

	<u>OTHER OPERATING EXPENSES</u>	
Legal fees and professional	\$ 1,209	\$ 923
Freon removal, appliance recycling	18,162	5,541
Electronic recycling	1,866	4,717
Drug and lab disposal	2,885	5,372
Tipping fees	5,016	13,164
Compactor lease	2,400	2,320
Transportation charges	-	3,564
On site storage	2,805	-
Advertising and publishing	979	1,159
Repairs and maintenance	5,309	2,899
Communications	1,113	672
Liability insurance	975	972
Landfill fees	15,226	-
Travel/conferences/seminars	2,625	950
Other	5,174	2,449
	<hr/>	<hr/>
Total Other Operating Expenses	\$ 65,744	\$ 44,702

See Notes to Financial Statements



Thomas R. Zick CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

June 9, 2008

Montmorency-Oscoda-Alpena
Solid Waste Management Authority
6751 Landfill Road
Atlanta, Michigan, 49709

To: MOA Solid Waste Management Authority Board of Directors and Management

I have audited the component unit financial statements of Montmorency-Oscoda-Alpena Solid Waste Management Authority, a component unit of the County of Montmorency, Michigan, as of and for the year ended December 31, 2007 which collectively comprise the Montmorency-Oscoda-Alpena Solid Waste Management Authority's basic financial statements, and have issued my report thereon dated June 9, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Montmorency-Oscoda-Alpena Solid Waste Management Authority's internal over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montmorency-Oscoda-Alpena Solid Waste Management Authority's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the Montmorency-Oscoda-Alpena Solid Waste Management Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Montmorency-Oscoda-Alpena Solid Waste Management Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Montmorency-Oscoda-Alpena Solid Waste Management Authority's financial statements that is more than inconsequential will not be prevented or detected by the Montmorency-Oscoda-Alpena Solid Waste Management Authority's internal control. I consider the following deficiency to be a significant deficiency in internal control over financial reporting:

Establishment and maintenance of internal control over the financial reporting process as defined by Statement on auditing Standards Number 112 requires management to prepare annual financial statements in accordance with GASB Statement Number 34. The Road Commission's auditor prepares these statements.

MEMBER: AMERICAN INSTITUTE OF CPAS & MICHIGAN ASSOCIATION OF CPAS

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Montmorency-Oscoda-Alpena Solid Waste Management Authority's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montmorency-Oscoda-Alpena Solid Waste Management Authority's component unit financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, grants, and contract agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported.

I noted certain matters that I reported to management of Montmorency-Oscoda-Alpena Solid Waste Management Authority in a separate letter dated June 9, 2008.

This report is intended solely for the information and use of management, the Montmorency-Oscoda-Alpena Solid Waste Management Authority Board, the Michigan Department of Treasury, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



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REPORT TO MANAGEMENT / BOARD OF DIRECTORS

June 9, 2008

Montmorency-Oscoda-Alpena
Solid Waste Management Authority
6751 Landfill Road
Atlanta, Michigan, 49709

I have audited the financial statements of Montmorency-Oscoda-Alpena Solid Waste Management Authority for the year ended December 31, 2007, and have issued my reports thereon dated June 5, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. Generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

In planning and performing my audit, I considered Montmorency-Oscoda-Alpena Solid Waste Management Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on the financial statements.

As part of obtaining reasonable assurance about whether Montmorency-Oscoda-Alpena Solid Waste Management Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination of Montmorency-Oscoda-Alpena Solid Waste Management Authority's compliance with those requirements.

MEMBER: AMERICAN INSTITUTE OF CPAS & MICHIGAN ASSOCIATION OF CPAS

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Montmorency-Oscoda-Alpena Solid Waste Management Authority are described in Note 1 to the financial statements. I noted no transactions entered into by Montmorency-Oscoda-Alpena Solid Waste Management Authority during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Some accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience and past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. My conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Montmorency-Oscoda-Alpena Solid Waste Management Authority's financial reporting process (that is, cause future financial statements to be materially misstated). All of the adjustments I proposed have been recorded by Montmorency-Oscoda-Alpena Solid Waste Management Authority.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Montmorency-Oscoda-Alpena Solid Waste Management Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all of the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Montmorency-Oscoda-Alpena Solid Waste Management Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Comments and Recommendations

The following is a summary of my observations with suggestions for improvements I believe should be brought to your attention.

Mileage Reimbursement

The Department of Treasury has recently attempted to clarify the legality of payment for mileage reimbursement from home to the County building and back for County meetings. County commissioners can receive these reimbursements; however, it is Treasury's position that this is a personal expenditure under Internal Revenue Service guidelines as well as Michigan Income Tax requirements and should be included in the commissioner's W-2 as wage. The Authority does not include these amounts in the W-2.

It is further their position that non-commissioners appointed to various boards such as housing, jury, etc. are not permitted to receive a mileage allowance from home to the County facility. In the case of the Authority, the question is whether the board members are acting as commissioners or simply as board members of this legally created entity.

Long-Term Debt

The long-term debt total at December 31, 2007 is only \$88,131 which has decreased by \$393,912 over the prior year. The debt has been dramatically reduced, and by self funding the construction of the most recent cell, this should increase the Authority cash flow over the next several years.

Accounting Procedures / Budgeting / Cash Flow Projections

The Authority needs to change its method of recording and processing certain accounting transactions. For example, during 2007 equipment purchases were charged as an expense but should have been capitalized as a capital asset to be depreciated. The debt principle payments were classified as an expense and should have been posted as a reduction in the liability accounts and the payments on the equipment lease/purchases should be separated between interest and principle and posted to interest expense and as a debit to the liability account rather than the entire payment being posted as an expenditure.

Your present budget has line items for expenditures such as debt payments and capital outlay. An enterprise fund should budget instead for depreciation. In addition to the budget a cash flow projection should be prepared to account for debt payments and capital expenditures.

A cash flow projection would assist your administrator and the County Treasurer to better predict when cash will be needed for operations, debt payments and capital expenditures. By monitoring these projections your National City sweep account could be invested for longer periods and generate higher interest returns for the Authority.

Wage Rate Approvals

I noted that wage rates were not formally approved by the Board for the calendar year beginning January 1, 2008. The budget was properly adopted, but in addition the wage rates should be approved for the ensuing fiscal year.

GASB #45 Requirements

For the year ending December 31, 2009 GASB #45 relating to post employment benefits other than pension (primarily health care costs) must be implemented. In order to properly implement the standard, certain actuarial calculations must be made.

Management and the Board should begin to consider the impact of GASB #45 prior to the required implementation date.

Conclusion

I would like to express my appreciation, as well as that of my staff, for the excellent cooperation received while performing the audit. If I can be of any assistance in implementing the above recommendations, please contact me.

This report is intended solely for the information and use of management, the Board of Directors and others within the administration as well as the Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.



THOMAS R. ZICK, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT